

## APPENDIX A

### HRA REVENUE ACCOUNT (HRA)

1. The HRA annual expenditure budget is £22.168M and income budget is £28.669M, which allows a contribution of £6.501M to reserves to present a net budget of zero.
2. A subjective breakdown of the provisional outturn position is shown in **Table 1** below.

	2018/19 Budget	Budget YTD	Actual YTD	Variance YTD	Full Year Forecast	Variance Full Year Forecast to Budget
	£M	£M	£M	£M	£M	£M
<b>Total Income</b>	(28.669)	(14.370)	(14.137)	<b>0.234</b>	(28.940)	<b>(0.271)</b>
Housing Operations	8.647	4.324	4.187	<b>(0.136)</b>	8.659	<b>0.012</b>
Financial Inclusion	0.543	0.271	0.193	<b>(0.078)</b>	0.410	<b>(0.133)</b>
Housing Investment	0.094	0.047	0.031	<b>(0.016)</b>	0.064	<b>(0.030)</b>
Corporate Resources	2.008	1.004	1.004	<b>(0.000)</b>	2.008	-
Maintenance	5.047	2.524	2.465	<b>(0.058)</b>	4.917	<b>(0.130)</b>
Debt related costs	0.103	0.051	0.051	-	0.103	-
Direct Revenue Financing	3.154	1.577	1.577	-	3.154	-
Efficiency Programme	(1.681)	(0.841)	(0.569)	<b>0.272</b>	(1.137)	<b>0.544</b>
Interest repayment	4.053	2.026	2.051	<b>0.024</b>	4.101	<b>0.049</b>
Principal repayment	0.200	0.100	-	<b>(0.100)</b>	0.000	<b>(0.200)</b>
TOTAL Expenditure	22.168	11.084	10.991	<b>(0.093)</b>	22.280	<b>0.112</b>
Surplus	(6.501)	(3.287)	<sup>^</sup> (3.145)	<b>0.141</b>	(6.660)	(0.159)
Contribution to / (from) reserve (at year end)	6.501	3.287	<sup>^</sup> 3.145	<b>(0.141)</b>	6.660	<b>0.159</b>
<b>Net Expenditure</b>	-	-	-	-	-	-
^ Included for balancing and illustrative purposes only						

3. There is a year to date adverse variance of £0.141M, whilst the full year forecast shows a favourable variance of £0.159M, resulting in a full year forecast surplus of £6.660M. The full year forecast variance is a result of additional income generation (£0.271M), savings within Financial Inclusion (£0.133M), and a reduced forecast outturn on the maintenance budgets (£0.130M); further it is proposed that no principal debt repayment occurs in this financial year, delivering a saving of (£0.200M). This is offset by the underachievement of the 2018/19 Medium Term Financial Plan (MTFP) efficiency programme (£0.544M).
4. In the Budget of Autumn 2017, it was announced that Local Authorities would be given the opportunity to bid for an additional £1Bn of borrowing headroom, £0.5Bn of which was ringfenced to areas outside of London. The Council was eligible to bid for this funding and submitted bids in September 2018 for an additional £37.400M of HRA borrowing. On 3 October 2018 the Prime Minister announced that the debt cap would be scrapped altogether. Further details are yet to emerge concerning this proposal. In light of these significant developments, the Council's approach to repaying principal HRA debt has been reconsidered and it is proposed that no principal debt repayments are made in 2018/19.
5. Within the efficiency programme there was an ambitious income generation target (£1.200M) relating to rent and service charge income at acquired properties, which has not been fully achieved and accounts for the shortfall of £0.544M. There have been delays in purchasing some of the properties identified for acquisition at the time of the budget build and redevelopment of acquired properties has taken longer than envisaged.

#### **HRA CAPITAL PROGRAMME**

6. The HRA Capital budget is £25.130M which includes slippage from 2017/18 of £4.944M. Across the HRA Capital Programme there is a year to date favourable variance of £2.292M, which is predominantly due to the underspend in Future Investment projects (£2.215M). However, slippage will be requested for this amount. The full year forecast within Stock Protection is showing a slight favourable variance of £0.077M, of which £0.050M is proposed as slippage with £0.027M as an underspend.
7. Analyses of the outturn position and variance, for each HRA scheme, is presented at **Table 2** below. The proposed funding of the programme is shown at Table 3.

**Table 2**

	Budget 2018/19	Full Year Forecast	Variance	Monthly Budget Monitoring September 2018		
				Profiled YTD	Actual YTD	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Stock Protection</b>						
General Enhancements	107	300	193	95	137	42
Fire Safety & Alarm Systems	108	25	(83)	25	22	(3)
Garage Refurbishment	115	35	(80)	10	16	6
Paths & Fences Siteworks	112	145	33	70	73	3
Estate & Green Space Improvements	361	295	(66)	43	34	(9)
Energy Conservation	459	381	(78)	10	11	1
Roof Replacement	566	566	0	100	98	(2)
Assisted Living Technology	51	30	(21)	20	13	(7)
Central Heating Installation	724	724	0	220	217	(3)
Rewiring	240	240	0	100	100	0
Kitchens and Bathrooms	882	900	18	100	86	(14)
Central Heating communal	28	250	222	5	3	(2)
Door Replacement	296	246	(50)	140	124	(16)
Structural Repairs	204	204	0	120	136	16
Aids and Adaptations	434	434	0	70	61	(9)
Drainage and Water Supply	39	39	0	18	19	1
Capitalised Salaries	420	380	(40)	150	145	(5)
Asbestos Management	245	245	0	150	143	(7)
Parking Schemes	50	25	(25)	0	0	0
Investment Panel Programme	50	35	(15)	0	0	0
Communal/PIR Lighting	0	0	0	0	0	0
Targeted Door Replacement	6	2	(4)	3	2	(1)
Sheltered Housing Refurbishment	300	300	0	15	13	(2)
New Windows	141	60	(81)	50	28	(22)
<b>Stock Protection Total</b>	<b>5,938</b>	<b>5,861</b>	<b>(77)</b>	<b>1,514</b>	<b>1,481</b>	<b>(33)</b>
<b>Future Investment</b>						
Stock Remodelling	985	535	(450)	50	38	(12)
Houghton Regis Central	2,588	2,588	0	100	120	20
Site Development	422	0	(422)	5	6	1
Garage Site Development	260	13	(247)	15	12	(3)
Croft Green	638	200	(438)	0	1	1
New Build & Acquisitions	11,813	13,229	1,416	5,904	6,440	536
Crescent Court	297	0	(297)	0	0	0
The Brook Houghton Regis	1,547	212	(1,335)	10	8	(2)
Potton Road Wrestlingworth	642	200	(442)	0	0	0
<b>Future Investment Total</b>	<b>19,192</b>	<b>16,977</b>	<b>(2,215)</b>	<b>6,084</b>	<b>6,625</b>	<b>541</b>
<b>TOTAL HRA</b>	<b>25,130</b>	<b>22,838</b>	<b>(2,292)</b>	<b>7,598</b>	<b>8,106</b>	<b>508</b>

**Table 3****Proposed Funding of HRA Capital Programme**

<b>Source</b>	<b>£'000</b>
Revenue Contributions	3,154
Useable Capital Receipts	10,000
Independent Living Development Reserve	2,588
Strategic Reserve	7,096
<b>Total</b>	<b>22,838</b>

**STOCK PROTECTION**

8. It is anticipated that Stock Protection will outturn with a slight favourable variance of £0.0770M. There are a number of minor forecast outturn variances, which for the most part net each other off leaving a forecast underspend of £0.027M.
9. The Ministry of Housing, Communities and Local Government is investigating flat entrance 30 minute fire doors. As a result the door manufacturing industry is currently reviewing test procedures and has halted all future installations of fire doors. This has delayed the door replacement programme resulting in a proposed slippage of £0.05M from the 2018/19 capital programme.
10. There are a number of minor year to date variances across Stock Protection due to expenditure being either marginally behind or ahead of profile on various projects, resulting in an overall favourable variance of £0.033M.

**FUTURE INVESTMENT**

11. It is also anticipated that Future Investment will outturn with a favourable variance of £2.215M, with this amount to be requested as slippage into 2019/20. Future Investment has an overall adverse year to date variance of £0.541M, which is predominantly a result of expenditure being ahead of profile for the New Build and Acquisitions programme with 21 purchases to date. Of the 21 purchases in the current year, 1 is a former hotel which will be converted into a 17 unit homeless hostel. Another is a site comprising 8 one bed flats, which requires only limited refurbishment. Both these schemes will supply Transitional Accommodation (TA), reducing cost to the Council's General Fund (GF).
12. Houghton Regis Central is a site comprising the vacant former Co Op site, the Grade II listed Red House and Red House Court in Houghton Regis town centre. The project will involve re-development in two stages, with construction initially taking place on the Co Op site to allow the current Red House Court residents to move to new apartments. This would enable the existing building (Red House Court) to be demolished, to then provide homes and new facilities on the existing site. The scheme will comprise 168 independent

living apartments on a mixed tenure basis together with 8 re-ablement suites and a number of commercial units.

13. The scheme received planning consent in November 2016. Galliford Try have been awarded preferred contractor status following Executive approval in September. The aim is to have the contract signed in November 2018. Start on site is planned for February 2019. Workstream planning workshops have taken place with colleagues involved in the Operations and the Commercial Workstreams.
14. The Brook, Houghton Regis is a greenfield site that was identified as a suitable location to deliver a TA scheme. There has been a delay in the project plan due to the re-design required to the scheme to obtain planning approval. The decision was taken (considering staff resource, design risk to the Council, planning implications and required re-design), that the most suitable way to progress the project was to procure a full multi-disciplinary design team to produce the re-design and take the scheme through all of the RIBA plan stages. This changed the procurement strategy to a traditional “fully designed” route as opposed to a “design and build” model. Obtaining approvals for this and the required procurement processes and timescales resulted in a delay to the project programme during this financial year, but the ultimate completion date for the project is broadly in line with the previously issued programme of works.
15. A new Project Board structure and project governance was set up to enable clear sign off and approval requirements. The multi-disciplinary design team has now been appointed and are attending regular design team meetings to progress the scheme, with the view to obtaining planning approval in the fourth quarter of 2018/19. The forecast for this year is predominately made up of design and consultancy fees; no construction costs are envisaged to be paid within this financial year. It is therefore anticipated that only £0.212M will be spent in 2018/19, with the rest of the budget (£1.335M) to be proposed as slippage.
16. The development at Potton Road in Wrestlingworth will be a Rural Exception Site, which would not obtain planning permission for housing without meeting an identified affordable housing need. The proposal is to deliver a mix of shared ownership and affordable rented units. Procurement for a designer is underway, with tenders due back in October. It is forecast that £0.200M will be spent in 2018/19, with proposed slippage of £0.442M.
17. Croft Green is intended to be refurbished to provide seven units (four 1 beds and three 2 beds). The tender is out to award the contract for the works to start on site in December 2018, and it is expected that the cost will be in line with the budget of £0.638M. Project practical completion is expected in May 2019, accounting for the proposed slippage of £0.438M from the 2018/19 capital programme.
18. The Stock Remodelling 2018/19 programme will fund redevelopment of The Red House, The Birches in Shefford, and Puddlehill (formerly known as the Vicarge) in Houghton Regis. Puddlehill will be extended to deliver an additional 8 self contained bedrooms to

provide homes for 16 to 25 year olds who require supported TA. Work on site is forecast to commence in the Autumn of 2018. The continuing works to The Red House are to ensure this important Grade II listed building is protected.

19. There is a forecast adverse variance of £1.416M relating to New Build & Acquisitions, delivering a projected outturn of £13.229M. This offsets other identified underspends within various site development and remodelling project codes. The budget will be used to continue the approach of reducing GF expenditure by purchasing properties for use as TA. Up to the second quarter a total of £6.440M has been spent, adding 43 units of urgently required new stock (1,2,3 and 4 bed) to the HRA. There are circa 20 further purchases going through legal process with LGSS Law and work is continuing to identify, appraise, survey and offer on suitable properties at pace.
20. There are increasing homelessness pressures, which are impacting upon GF TA budgets. The approach being taken is to create “system resilience” for the future, establishing flexible provision across Central Bedfordshire, to be managed intensively as either TA or other supported housing. The Housing Service has created an Intensive Property Management Team (within the HRA) that will manage all the properties and rooms that are used for TA on a ‘hotel-style’ basis, in part to maximise income; but more importantly, to avoid cost at the level seen in neighbouring Local Authorities.
21. Over time, it is envisaged that this provision will increase to circa 250 units (homes, single rooms, shared accommodation). The use of this circa 250 units will function flexibly, as both TA and accommodation based supported housing, the main aim being to avoid cost to the system. Whilst management and maintenance costs are significantly higher for this type of accommodation, the greater concentration of tenancies will also generate additional income for the HRA. More importantly, this approach directly facilitates the Housing GF efficiencies, to reduce TA Budget provision over a three year period.
22. As part of this approach Franklin House (the former care home previously known as Greenacre), was transferred from the GF into the HRA in March 2017, and is now fully occupied. In the short to medium term this can provide flexible bedsit accommodation for up to 42 households, addressing demands for TA or Supported accommodation. In the longer term the site could be regenerated to provide new housing supply and would certainly enhance the HRA’s portfolio of assets.
23. As part of the MTFP process it was agreed that a further care home, The Birches in Shefford, will be transferred to the HRA at a value of £1.15M. The Birches will provide 17 units (comprising of a variety of flats, micro flats and mobility standard units all with shared

lounge and kitchen). As this will be an internal transfer it will be funded by Reserves rather than the HRA Capital programme.

## HRA EFFICIENCY PROGRAMME

24. The Housing Service has been using Housemark to provide a benchmarking service. The analysis provided has assisted in identifying the areas where HRA expenditure is high relative to other stock retained authorities. Benchmarking has indicated, for example, that we should review the Repairs Delivery model, the result of which has been the achievement of in year savings and further proposals for HRA efficiencies going forward.

25. The HRA revenue budget for 2018/19 was reduced by £1.681M, as part of the Council's efficiency programme. This year's HRA efficiency target comprised mainly increased growth of rental and service charge income from acquired properties (£1.2M) and increased Supported Housing service charge income (£0.150M). The remaining £0.331M was made up of: savings related to Business Process Review and Management rationalisation, changes to the repairs delivery model and contract management and reduced communications costs resulting from the use of new media.

26. The overall efficiency target for 2018/19 is forecast to be achieved with the exception of the £1.2M income efficiency where there is a £0.544M forecast adverse variance due to delays in purchasing properties and the time required for refurbishment and conversion.

## HRA ARREARS

27. **Table 4** shows a breakdown of the HRA debt position at September.

<b><u>Debt Analysis - Tenant Arrears</u></b>						
<b>Description of debt</b>	<b>0-4 weeks</b>	<b>4-8 weeks</b>	<b>8-13 weeks</b>	<b>13-52 weeks</b>	<b>Over 1 yr</b>	<b>TOTAL</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Current Tenant	0.178	0.132	0.073	0.108	0.000	0.491
Former Tenant	0.007	0.004	0.001	0.007	0.583	0.602
						<b>1.093</b>
<b><u>Debt Analysis - Other Arrears</u></b>						
<b>Description of debt</b>	<b>From 1 to 30 days</b>	<b>From 31 to 60 days</b>	<b>From 61 to 90 days</b>	<b>From 91 to 365 days</b>	<b>Over 1 yr</b>	<b>TOTAL</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Misc recoveries	0.000	0.000	0.000	0.000	0.000	0.000
Shops	0.008	0.000	0.000	0.014	0.007	0.029
Void recoveries	0.000	0.000	0.003	0.000	0.031	0.034
	<b>0.008</b>	<b>0.000</b>	<b>0.003</b>	<b>0.014</b>	<b>0.038</b>	<b>0.063</b>

28. Total tenant debt amounted to £1.093M compared to £1.162M at the end of quarter 1 2018. Current Tenant Arrears (CTA) are £0.491M or 1.6% (£0.521M or 1.7% at quarter 1)

of the annual rent debit of £30.146M, against a target of 1.8%, whilst Former Tenant Arrears (FTA) are at 2% with a balance of £0.602M against a target of 1.75% (2.1% with a balance of £0.641M at quarter 1). £0.002M tenant debt was written off in quarter 2 of 2018/19. Housing Benefit payments account for 51.18% of the rent and service charge income received.

29. There is currently £0.063M of non tenant arrears (£0.063M at quarter 1), which comprises the following: rents at shops owned by the HRA, service charges and property damage relating to existing and former tenants.

### **PROMPT PAYMENT INDICATOR**

30. The performance target for payment to suppliers, where there is no dispute over the amount invoiced, is 90% of invoices paid within 30 days of invoice receipt date. The HRA performance for September was 94.86% of 292 invoices (80.8% of 323 invoices in June paid on time). Work is ongoing to create 'end to end' system integration between the SAP financial system and the QL Housing system, so as to improve performance overall. This project is progressing well and has significantly improved timescales for making payment.

### **HRA CAPITAL RECEIPTS**

31. New Right to Buy (RtB) discounts and proposals for re-investing the capital receipts came into effect from April 2012, which increased the maximum discount available to tenants from £0.034M to their current level of £0.081M.
32. Up until the end of September 2018, 28 RtB applications were received with 11 properties being sold, compared to 35 Applications and 14 sales over the same period in 2017/18. It is currently projected that the number of RtB sales will be approximately 15 to 20 for the year, resulting in a residual receipt for the year of circa £3M.
33. The Council has a balance as at quarter 2 of useable capital receipts of £9.536M of which £4.248M is reserved for investment in new social housing. The Council has entered into an agreement with the Secretary of State to invest these receipts in new social housing. The use of these receipts is restricted to schemes that do not receive Homes England (formerly the Homes and Communities Agency - HCA) funding.
34. The retained receipt from RtB sales can represent no more than 30% of the cost of the replacement properties. Since the agreement was signed in 2012, £12.419M has been spent on replacement properties up to 30 September 2018. The Council is committed to spend a further £14.161M on replacement properties by 30 September 2021.
35. The HRA's Budget proposals for the period of the Medium Term Financial Plan (MTFP) propose significant investment in new build (in excess of £15.6M by 30 September 2021).



36. Current projections suggest RtB sales will not have a negative impact on the Business Plan, particularly if the number of new build properties exceeds the properties sold. However, if annual RtB sales were to make up a significant percentage of the Housing Stock, such that it diminished by 10% (equivalent to approximately 500 properties) or more over the period to 30 September 2021, then this would pose a threat to the surpluses predicted both in the medium and longer term.
37. If additional sales continue to represent a small percentage of the Council's stock, so there is no material impact on the Business Plan, there is a significant benefit as retained receipts will provide the Council with additional funds for reinvestment.
38. As at 1 April 2018 the balance of HRA Usable Capital receipts was £8.145M. It is anticipated that £3.000M of RtB receipts will be retained in the current year, to deliver a subtotal of £11.145M. It is proposed to use £10.000M of usable receipts to part fund the Capital programme, so the balance carried forward is forecast to be £1.145M.

## **RESERVES**

39. The total reserves available as at year end 2017/18 were £28.970M, comprising £2.000M in HRA Balances, £20.500M in the Independent Living Development Reserve, £6.141M in the Strategic Reserve, £0.129M in the Life Cycle Reserve and £0.200M in the Major Repairs Reserve.
40. A new earmarked Reserve has been created at the end of 2017/18, for Life Cycle costs at Priory View. Leaseholders at Priory View make a monthly contribution to capital replacement works, but as the building was only completed in 2016 these costs are unlikely to materialise for a number of years so a Reserve is required. This is often referred to as a "Sinking Fund", and enables leaseholder contributions to be set aside so they can be matched against the cost of works as they are required in future years.
41. As part of the MTFP, approval has been granted for the transfer of The Birches in Shefford into the HRA. The building was owned by Assets but has been transferred to the HRA at a cost of £1.150M. This cost will be financed from the Strategic Reserve, so the total contribution from that Reserve will be £8.246M, comprised of £7.096M contribution to the Capital programme and £1.150M to finance the transfer of The Birches from the GF.
42. The current position indicates a year end balance in Reserves of £24.796M. HRA Balances are to remain at a contingency level of £2.000M, with the Independent Living Development Reserve reducing to £17.912M, the Strategic Reserve reducing to £4.485M, the LifeCycle Reserve increasing to £0.199M, and the Major Repairs Reserve (MRR)

remaining at £0.200M. This equates to a forecast contribution to Reserves of £6.660M, offset by spend from Reserves of £10.834M to result in a net decrease of £4.174M.

43. An Investment Strategy has been formulated, that sets out proposals for the use of the Reserves that are forecast to materialise in the short to medium term. This strategy is referred to in the HRA Budget Report that has been approved by Council in February 2018, and continues to be refined as part of the Council's Medium Term Financial Plan.

**Table 5 - Reserves**

Description	Opening Balance 2018/19	Spend against reserves	Release of reserves	Proposed transfer to Reserves	Proposed Closing Balance 2018/19
	£000	£000	£000	£000	£000
HRA Balances	2,000	-	-	-	2,000
Independent Living Development Reserve	20,500	(2,588)	-	0	17,912
Strategic Reserve	6,141	(8,246)	-	6,590	4,485
Life Cycle Reserve	129			70	199
Major Repairs (HRA)	200	-	-	-	200
	<b>28,970</b>	<b>(10,834)</b>	-	<b>6,660</b>	<b>24,796</b>

**Table 6 – Summary by Service Area**

Month: September 2018	Year to date				Year					
	Director	Budget	Actual	Use of Reserves	Variance	Approved Budget	Provisional Outturn	Variance	Transfers to/(from) reserves	Variance after use of earmarked reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Assistant Director	8,684	8,516	-	(168)	17,367	16,969	(398)	-	(398)	
Housing Operations	(11,340)	(11,716)	-	(377)	(22,679)	(23,216)	(537)	-	(537)	
Repairs HRA	2,473	2,407	-	(66)	4,946	4,803	(143)	-	(143)	
Housing Initiatives	661	592		(69)	1,321	1,200	(121)	-	(121)	
Financial Inclusion	(525)	89	-	614	(1,049)	180	1,229	-	1,229	
Housing Investment	47	23	-	(24)	94	64	(30)	-	(30)	
<b>Total</b>	<b>0</b>	<b>(89)</b>	<b>0</b>	<b>(89)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	